GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:499
ANSWERED ON:22.12.2000
PRIME LENDING RATES OF BANKS
RAMJI MANJHI

Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal to stop RBI intervention in Prime Lending Rate(PLR) to enable the banks to compete with foreign banks functioning in the country;

(b) if so, the details thereof and if not, the reasons therefor;

(c) whether there is any proposal to allow the banks to go global;

(d) if not, the apprehensions the Government see in denying the permission; and

(e) the percentage of market share/customers,snatched away by foreign banks from Indian banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) :

(a) and (b) The Reserve Bank of India (RBI) does not prescribe the lending rates ofbanks except in case of export credit. Banks are free to prescribe their own lending rates, including the Prime Lending Rate (PLR), after taking into consideration theircost of funds, transaction costs, etc. The banks have to declare, subject to approval of their Board of Directors, a PLR, which should be the minimum rate, charged by the bank for credit limits over Rs. 2 lakh.

(c) and (d) A number of Public Sector Banks (PSBs) already have a network of overseasbranches operating in different countries. They are also doing business internationally. Besides they are competing with large number of foreign banks operating in the country.

(e) A Statement showing the Deposits and Advances of Scheduled Commercial Banks in Indiaas on March 31, 1999 and 2000 and the share of Public Sector Banks (PSBs), Foreign Banksand Private Sector Banks is enclosed. While the share of PSBs in the deposits of Scheduled Commercial banks has come down marginally by 0.68 per cent during 1999-2000, the decrease is not matched by any increase in the share of deposits of Foreign banks. In fact, the share of foreign banks has also declined by 0.68 per cent during the same period. However, banks in private sector have beenable to increase their market share correspondingly. Likewise, while the share of PSBs in the advances of all scheduledcommercial banks came down by 1.02% during the year 1999-2000, the corresponding share of foreign increased by a negligible 0.04% only. The private sector banks have been able to increase their market share by 0.98% accounting for a major portion of the decrease of shareofPSBs.

Statement

Statement showing the Deposits and Advances of Scheduled Commercial Banks andshare of PSBs, Foreign Banks, and Private Banks as on March 31, 1999 and 2000

Scheduled Commereciai Banks		Public Sector Banks		Foreign Banks		Private Banks	
1999	2000	1999	2000	1999	2000	1999	2000
771129	900307	636810	737313	82.58	81.90	47464	49324
6.16	5.48	86855	113670	11.26			
369272	443469	296959	352109	80.42	79.40	29523	35617
7.99	8.03	42790	55743	11.59			